



STATE OF HAWAII TRAVEL & TOURISM



A NEW ECONOMIC PERSPECTIVE



THE WORLD'S LARGEST INDUSTRY AND GENERATOR OF JOBS



This Report is presented on behalf of the following Hawaii-based Research Sponsors and the World Travel & Tourism Council.

This WTTC Report on Hawaii's Travel & Tourism Industry is important in a number of ways:

- It is the first of its kind for an individual state of the Union.
- It utilizes a "Satellite Account" approach so that the many facets and total impact of Travel & Tourism can be more reliably compared with other less diverse sectors of commerce.
- Prepared by the internationally-recognized WEFA Group, it provides a base of solid econometrics that will be useful in many ways for future studies.
- It also comes at the moment when our State is poised to make a number of very important decisions, many of which will shape our ability as an industry and a state to grow, create jobs and compete into the next millennium.

The report illustrates the economic history and prospects for Travel & Tourism, Hawaii's number one industry. The results will not surprise many people who follow the industry, but they do give a new economic perspective on Travel & Tourism that few have considered before: its impact of gross state product and its total impact on jobs, investment, imports, exports and taxes.

Some will be surprised because the numbers often do not match generally-accepted information on the size, employment, etc. of the industry. The data will seem to be understated. This is because the strict methodology used by WTTC and the WEFA Group eliminates the so-called "multiplier effect" in determining Travel & Tourism's total economic impact. The result is a report that can be used to more accurately compare Hawaii's Travel & Tourism industry with other Hawaii industry sectors and other areas of the world where Travel & Tourism are an important component of the economy.

The "multiplier" may be as high as 1:1, but determination of the total impact as visitors' dollars circulate through Hawaii's unique and geographically-isolated economy will be left to future studies by others.

The present study is a product of a private / public partnership between the WTTC, State government and the Research Sponsors listed below. I want to especially recognize the assistance of Dr. Seiji F. Naya and his fine team at the Department of Business, Economic Development and Tourism. In addition, I want to acknowledge the dedicated and valuable contributions of many others who, due to space considerations, can not be individually named.

The final report leaves no doubt about Travel & Tourism's preeminent importance to Hawaii. The message is clear: Travel & Tourism is the State's largest industry, creator of jobs and generator of tax revenues.

Over the past few years, following natural disasters and economic recessions, the industry's relative contribution to the State's economy, tax base and employment has fallen. Still, the potential for the future is excellent, but not a forgone conclusion. The negative trend could continue. Only if there is involvement, mutual support and cooperation by all parties - business, labor, government, even the general population not directly employed by the visitor industry - will Hawaii's Travel & Tourism industry regain its strength and reinvigorate the State's economy.

I firmly believe that Travel & Tourism still holds a promise for the State of Hawaii. A promise of growth. A promise of employment opportunities. A promise of a future for generations yet unborn. This report and the message it contains is just the beginning. Aloha.



Richard R. Kelley

Richard R. Kelley Outrigger Hotels and Resorts
Seiji Finch Naya State of Hawaii, DBEDT

Andre S. Tatibouet Aston Hotels & Resorts

Ken Sandefur AT&T Communications

John C. Couch Alexander & Baldwin, Inc.

James B. King Aloha Airgroup

Lawrence M. Johnson Bank of Hawaii

John W.A. Buyers C. Brewer and Company, Ltd.

Thomas C. Leppert Castle & Cooke Properties, Inc.

Yoshiharu Satoh Central Pacific Bank

Tom Ou, Michael Ma China International, Inc.

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Arthur Tokin Coopers & Lybrand L.L.P.

Roy Tokujo Cove Marketing, Inc.

Randy Yeager Crazy Shirts, Inc.

John Reed DFS Hawaii

Phillip Brown Eagle Distributors, Inc.

David McCoy The Estate of James Campbell

Kane S. Fernandez Fernandez Enterprises

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Rick Carucci Fito Lay of Hawaii

Roger Wall Food Pantry, Ltd.

R. Dwayne Steele Grace Pacific Corporation

Bruce Nobles Hawaiian Airlines, Inc.

Robert F. Clarke Hawaiian Electric Industries, Inc.

Anthony Rutledge H.E.R.E. Local 5 AFL-CIO

Kitty Lagareta Hill & Knowlton Hawaii, Inc.

Peter Schall Hilton Hawaiian Village

Lex Alexander KPMG Peat Marwick

Stanley Takahashi Kyo-Ya Company, Ltd.

Jack E. Myers The Myers Corporation

Don E. Carroll Oceanic Cablevision

Steven C.H. Loui Pacific Marine & Supply Co.

Patrick Moon Patrick Moon, Inc.

Ed Hogan Pleasant Hawaiian Holidays

Michael A. Carr Polynesian Adventure Tours

James S. Romig Pomare, Ltd.

Richard L. Griffith The Queens Health Systems

Richard Wong Royal Hawaiian Shopping Center, Inc.

Jay Shidler The Shidler Group

David T. Pietsch, Jr. Title Guaranty Escrow Services, Inc.

Ray Miyashiro Trans Hawaiian Services, Inc.

J. Robert Thibaut T.S. Enterprises, Inc.

Thos Rohr Waikoloa Land Company, Inc.

J.D. Watumull Watumull Bros. Ltd.

Donald W.Y. Goo Wimberly Allison Tong & Goo

On the cover: *The World's Largest Industry* by David McMacken artistically depicts the wide range of products and services which are the Travel & Tourism industry; an industry which moves, accommodates, feeds and entertains hundreds of millions of people around the world; creates wealth and millions of quality jobs; and equally important, brings people and nations closer together.



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According to futurologist John Naisbitt, the bestselling author of *Megatrends 2000* and *Global Paradox*, three "paradigm industries" will drive the service-led economies of the 21st Century - Telecommunications, Information Technology and **Travel & Tourism**.

This new WTTC Report, *State of Hawaii Travel & Tourism: A New Economic Perspective*, shows that the industry is already the premier economic driver in Hawaii, where it is expected to generate 24.3% of gross state product and 31.5% of employment in 1996.

Although Travel & Tourism has always been important to Hawaii, the industry does not always receive the recognition and support that it deserves. Recently, however, an important step was taken at the October 1995 White House Conference on Travel & Tourism where President Clinton and 2,000 state delegates, including Hawaii's, formally recognized the industry's economic and employment contribution. Moreover, the Conference set forth a detailed policy program to build and strengthen the industry in Hawaii and throughout the U.S.

To ensure that the momentum generated by the White House Conference and this new WTTC/WEFA Group research are not lost amid competing issues and agendas, the WTTC calls on government officials in Hawaii, the U.S. and around the world to join the private sector in a four-point **Millennium Vision** for Travel & Tourism. Its terms are to:

- Make Travel & Tourism a strategic economic development and employment priority;
- Move towards open and competitive markets;
- Pursue sustainable development; and
- Eliminate barriers to growth.

Over the next few years, the **Millennium Vision** will signify an important partnership agreement between the public and private sectors in creating opportunities and jobs for our global, national and state economies. As one of the leading travel destinations in the world, there is no better place to agree to the new **Millennium Vision** than in Hawaii.



Harvey Golub
Chairman

Geoffrey H. Lipman
President

TRAVEL & TOURISM'S ECONOMIC IMPACT

Travel & Tourism - encompassing transport, accommodation, catering, recreation and services for travelers - is the world's largest industry and generator of quality jobs. It is expected to generate \$3.6 trillion of gross output and 255 million jobs worldwide in 1996.

Globally, the United States is the largest national producer of Travel & Tourism gross output, generating \$873 billion of gross output and 13.9 million jobs.

Within the State of Hawaii, Travel & Tourism is expected to produce \$9.2 billion of gross output and 172,000 jobs in 1996.

Travel & Tourism contributes 10.7% of Gross Domestic Product (GDP) to the world economy.

In the United States, Travel & Tourism is expected to generate 10.2% of GDP in 1996, while the Caribbean, which is a leading producer, generates 22.0% of GDP.

The State of Hawaii is perhaps the largest relative producer of Travel & Tourism in the Union, at 24.3% of Gross State Product (GSP). This also makes Travel & Tourism the largest industry in the State.

Travel & Tourism is a high growth industry which is forecast to more than double in size over the next decade (48.7% in real terms adjusted for inflation).

In the United States, Travel & Tourism is expected to grow its total output 39.3%, in real terms, over the next decade.

Hawaii is expected to grow just shy of that pace, growing its total output by 30.2%, in real terms, between 1996 and 2006.

Travel & Tourism is human-resource intensive, creating quality jobs across the full employment spectrum. Globally, 1 in 9 jobs is generated by Travel & Tourism - many of them in small businesses and in urban or rural areas where structural unemployment is highest.

In the United States, too, 1 in every 9 jobs is a result of Travel & Tourism activity.

In Hawaii, employment resulting from Travel & Tourism is expected to total 31.5% in 1996, or 1 in every 3 jobs.

Travel & Tourism is a major exporter with international visitors injecting foreign exchange directly into the economy.

In the United States, the industry is expected to earn \$86.2 billion in Travel & Tourism services exports and \$66.8 billion in Travel & Tourism merchandise exports in 1996.

In Hawaii, domestic and international Travel & Tourism exports make up a substantial portion of Gross State Product. Of total state exports, services and merchandise, Travel & Tourism is expected to account for 61.9% in 1996.

Travel & Tourism is a catalyst for construction and manufacturing. In 1996, the private and public sectors combined are expected to spend \$766 billion in new Travel & Tourism capital investment worldwide.

In the United States, Travel & Tourism will spend \$134.3 billion in 1996 (10.2% of total) on infrastructure, plant and capital equipment from suppliers.

Capital investment in Hawaii to support the State's Travel & Tourism economy is expected to total \$1.5 billion in 1996, or 23.7% of total state investment.

Travel & Tourism is both a generator and receiver of government funds. Globally in 1996, Travel & Tourism is expected to generate \$653 billion of taxes (10.4% of total), while receiving \$304 billion of government expenditures (6.7% of total).

In the United States, the industry will generate \$133 billion in taxes (9.3% of total), while receiving \$61 billion in government expenditures (5.2% of total).

Taxes from Travel & Tourism in Hawaii in 1996 are expected to total \$1.8 billion (25.1% of total), while it expects to receive \$555 million in government operating expenditures.

TRAVEL & TOURISM'S POLICY AGENDA

As WTTC has developed its economic analysis of Travel & Tourism, we have also identified a number of basic policy priorities to help governments harness the industry's economic dynamism to increase overall growth and job creation. We commend these to the citizens of Hawaii and its State and County governments as well as appropriate Federal government agencies:

1

MAKE TRAVEL & TOURISM A STRATEGIC ECONOMIC DEVELOPMENT AND EMPLOYMENT PRIORITY

- Recognize the industry's economic and social contribution and include it in mainstream programs for job creation, export promotion and investment stimulation.
- Establish a State Satellite Account for Travel & Tourism.

2

MOVE TOWARDS OPEN AND COMPETITIVE AND MARKETS

- Support the implementation of the General Agreement on Trade in Services (GATS), liberalize air transport especially to and through Asian countries and deregulate telecommunications in international markets.
- Enhance promotion of State of Hawaii Travel & Tourism and encourage product quality improvements to compete more effectively for visitors.

3

PURSUE SUSTAINABLE DEVELOPMENT

- Establish a policy framework for sustainability and encourage industry environment initiatives.
- Expedite zoning and permitting procedures.

4

ELIMINATE BARRIERS TO GROWTH

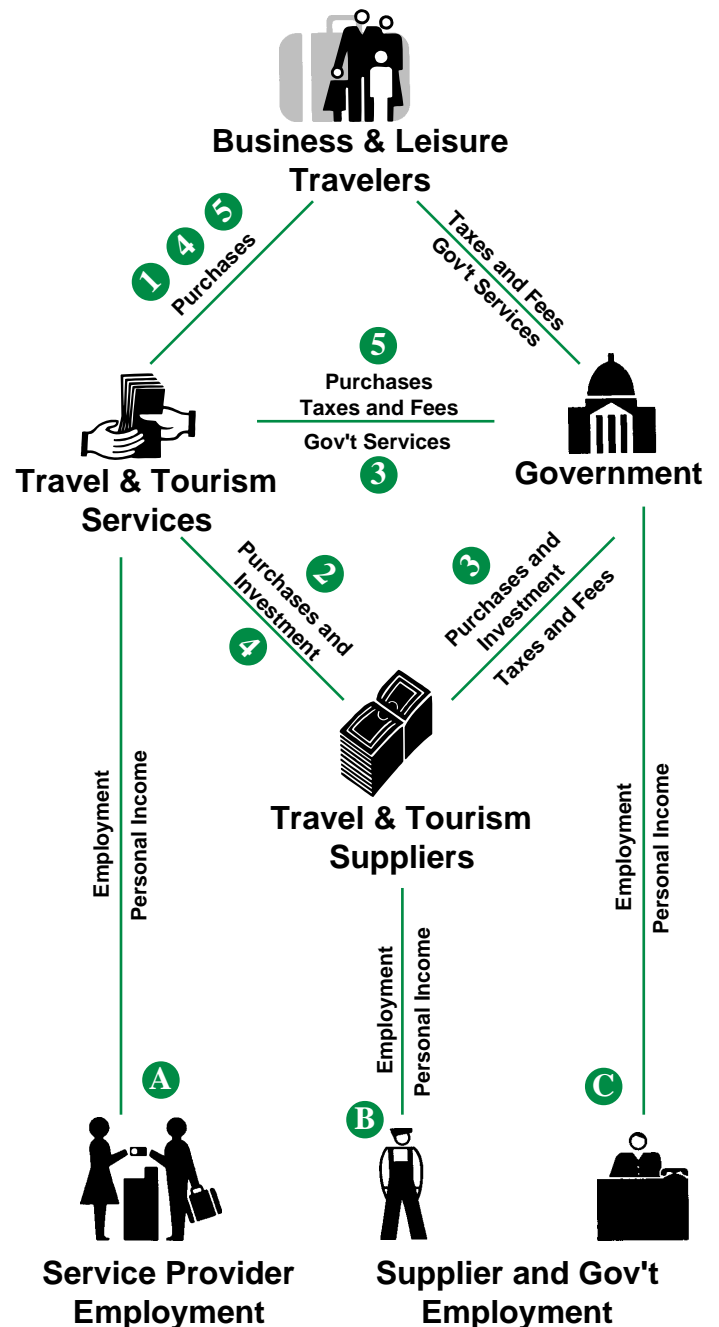
- Expand and improve infrastructure - increasing airport capacity, modernizing air traffic control systems and structures, and improving highways, roads, beaches and meeting facilities.
- Support implementation of FAST automated border clearance, extension of the visa waiver program and elimination of visas altogether where possible.
- Tax intelligently for growth and exports.
- Invest in human resource development.
- Provide for visitor safety and security.

WTTC/WEFA Group research quantifies the *total* impact of Travel & Tourism through the creation of a simulated Satellite Account which measures consumer expenditures, capital investment, government expenditures, foreign and domestic trade and business expenditures, in the same way as governments measure other industries in their charts of national accounts:

- 1 **Consumer Expenditures** (a.k.a. personal consumption) on transportation, accommodation, catering/retail, recreation and travel related services and merchandise by residents who travel.
- 2 **Capital Investment** made by companies, governments and residents in Travel & Tourism infrastructure, buildings and equipment.
- 3 **Government Expenditures** (operating) which make Travel & Tourism possible.
- 4 **Foreign and Domestic Trade** (a.k.a. net exports) generated by nonresident visitor expenditures on services and merchandise, and sales of Travel & Tourism supplies.
- 5 **Business Expenditures** - Travel by companies and governments to support their daily operations.

The research also identifies the *total* employment which results from these current and capital expenditures:

- A People involved in providing Travel & Tourism services to consumers, business travelers and government travelers such as airline pilots, hotel clerks, car rental agents, tour operators and retail merchants.
- B People involved in providing construction, manufacturing, distribution and business services to Travel & Tourism service providers.
- C People involved in providing Travel & Tourism government services such as marketing, transportation agencies, park services, airport personnel, lifeguards and security.



No Multipliers

The National Satellite Accounting research by the WEFA Group does not use input-output multipliers to estimate Travel & Tourism's "induced impact." The results of this study are therefore lower than those often reported for Hawaii.

TRAVEL & TOURISM

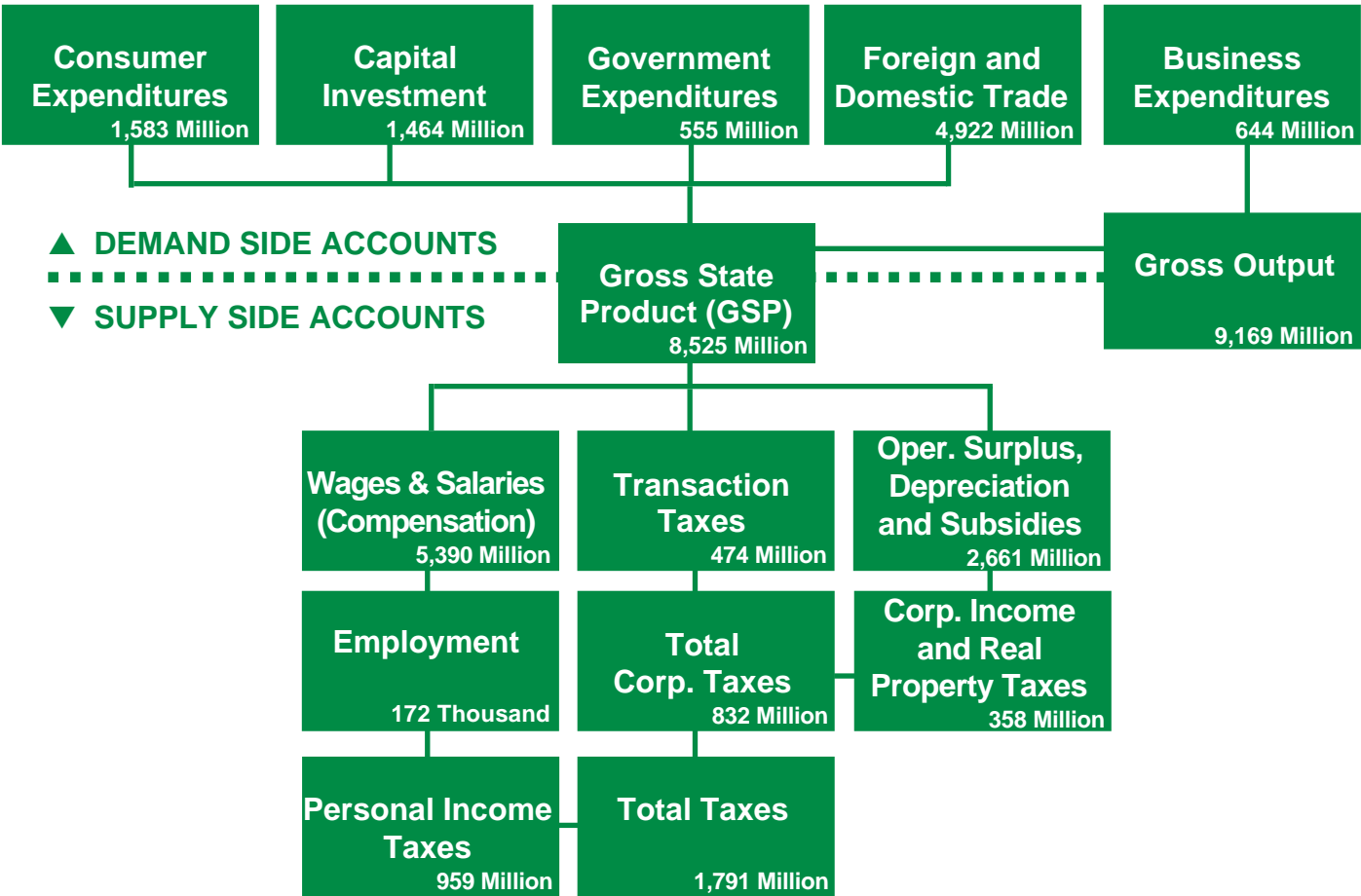
WTTC/WEFA Group research is designed to be the methodological equivalent of the future National Satellite Accounting System for Travel & Tourism which is being developed by the Organization for Economic Cooperation and Development, the United Nations, the World Tourism Organization and other international and national statistical bodies.

For this reason, the research approach is fully in line with generally accepted national accounting methodology. Established in 1989 and enhanced in 1993/1994, the research includes improvements resulting from consultation with the international research community. Source data on consumer, investment, government and business

spending patterns was gathered directly from government and private sector/academic sources. Foreign trade data was obtained from the United Nations and State of Hawaii.

All economic concepts are based on National Accounting Rules for the establishment of Gross Domestic Product. The methodology also employs state-of-the-art Input/Output models, used by state and national governments to determine the total impact of economic policy. These models are used extensively to link the industry's GDP contribution and its supply-side accounts, including employment. The complete methodology is available upon request.

State of Hawaii Travel & Tourism 1996 Estimates (US\$)

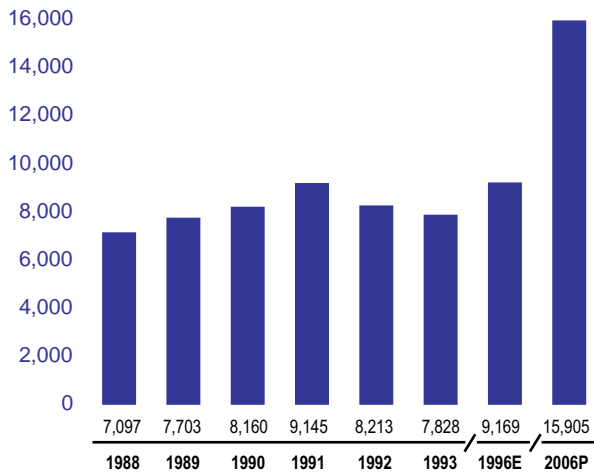


This chart illustrates the complete picture of economic inputs and outputs (estimates) for Travel & Tourism in the State of Hawaii for 1996. A complete description of these and other economic concepts as they relate to the State of Hawaii can be found on Page 15.

GROSS OUTPUT FROM TRAVEL & TOURISM

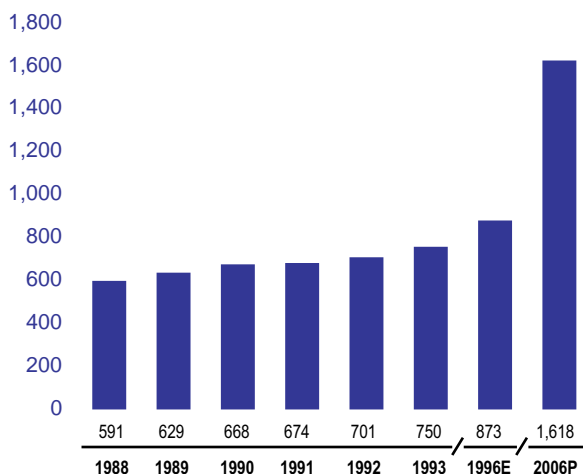
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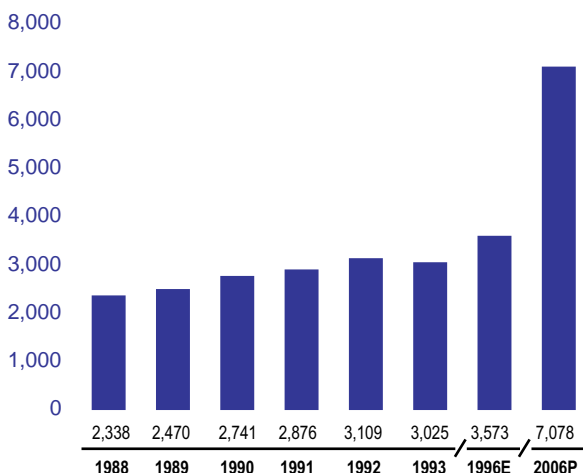
UNITED STATES

(Bn US\$)



WORLD

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CREATING WEALTH

Travel & Tourism in the State of Hawaii is expected to produce \$9.2 billion of gross output in 1996, including:

- \$1.6 billion of Travel & Tourism personal consumption (7.3% of total) by state residents.
- \$1.5 billion of capital investment (23.7% of total) in personal, commercial and public Travel & Tourism plant and equipment by residents, Travel & Tourism companies, local, state and federal governments.
- \$0.6 billion of government expenditures (5.9% of total) to provide services to the Hawaiian Travel & Tourism industry and its visitors, as well as to pay for travel expenses of Hawaii government employees.
- \$4.9 billion of foreign and domestic trade surplus earned from international and mainland visitor spending and the sale of Travel & Tourism merchandise out-of-state (exports), above the amount spent by state residents while traveling out-of-state and the purchase of Travel & Tourism merchandise from out-of-state (imports).
- \$0.6 billion of business expenditures, better known as business travel, by in-state companies.

Over the past few years, Hawaii's Travel & Tourism gross output has dipped from its 1991 peak, when total output exceeded \$9.1 billion. During 1992 and 1993, the industry suffered significant real declines of -12.6% and -6.7% respectively resulting from the combination of Hurricane Iniki and the U.S. and Japanese recessions. For the period 1994 to 1996, business is expected to improve with real growth expected to average 3.3% per year during this period. 1996 should exceed the 1991 peak.

Over the next decade, State of Hawaii Travel & Tourism is expected to show steady growth, at a real average rate of 3.0% per year, reaching \$15.9 billion (nominal) in gross output by 2006.

Moreover, Hawaii is one of the largest relative producers of Travel & Tourism in the world, but highly dependent on out-of-state visitors. In 1996, it is estimated that the State will earn \$11.1 billion of foreign and domestic trade (exports) from out-of-state visitors, which far exceeds the \$1.2 billion spent by traveling state residents (imports).

The State is also dependent on out-of-state Travel & Tourism merchandise imports estimated at \$5.1 billion. Together, the services surplus and merchandise deficit are expected to produce a net Travel & Tourism trade surplus of \$4.9 billion for Hawaii.

CREATING JOBS

Travel & Tourism in the State of Hawaii will generate an estimated 172,000 jobs in 1996, across a broad spectrum of economic activities. The industry accounts for 31.5% of the workforce, providing 1 in every 3.2 jobs in Hawaii. This includes jobs in hotels, restaurants, airlines and car hire companies, as well as jobs in hotel construction, convention center construction, airport operations and administration, security and many others.

In comparison, Travel & Tourism in the United States as a whole is expected to employ 11.0% of the total U.S. workforce, or 1 in every 9 jobs. Globally, Travel & Tourism is expected to yield 255 million jobs in 1996 - 10.7% of world employment, or 1 in every 9 jobs.

Over the past few years, the State has seen its Travel & Tourism employment tumble in absolute and relative terms. Between 1991 and 1993, Hawaii lost 34,190 Travel & Tourism jobs dropping from 34.8% of total State employment to 28.5% of State employment, a loss of share totalling 6.4%. While the U.S. as a whole also experienced a loss of Travel & Tourism jobs during 1990-1992, the decline was much less dramatic.

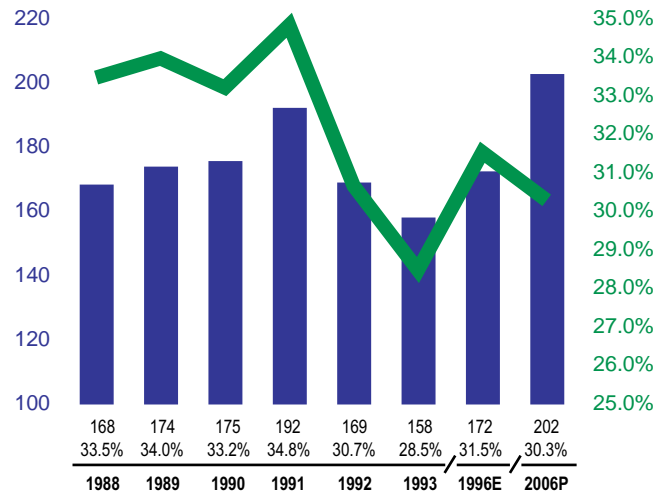
Since 1993, Travel & Tourism in Hawaii has recovered more than 14,000 jobs, and expects over the next ten years to create more than 30,000 additional jobs to total 202,000 jobs by 2006. Growing at 1.8% per year over the next decade, Hawaii's Travel & Tourism employment is expected to fall just under overall employment growth in U.S. Travel & Tourism of 2.4%.

In 1996, average per capita compensation for Hawaii's Travel & Tourism industry is expected to be \$31,315, or 77% of the State's overall average per capita compensation. Although Travel & Tourism jobs are usually considered low-wage, low-tech, entry-level jobs, they also include a large number of high-wage, high-tech, senior level jobs. Most importantly though, because of the labor intensive nature of Travel & Tourism, these jobs are easier to create than the average job. It is estimated that in 1996, an additional \$1 million of Travel & Tourism GSP will create 20 new jobs in Hawaii, or 130% of the jobs created by the same GSP in the general economy.

EMPLOYMENT AND % OF TOTAL FROM TRAVEL & TOURISM

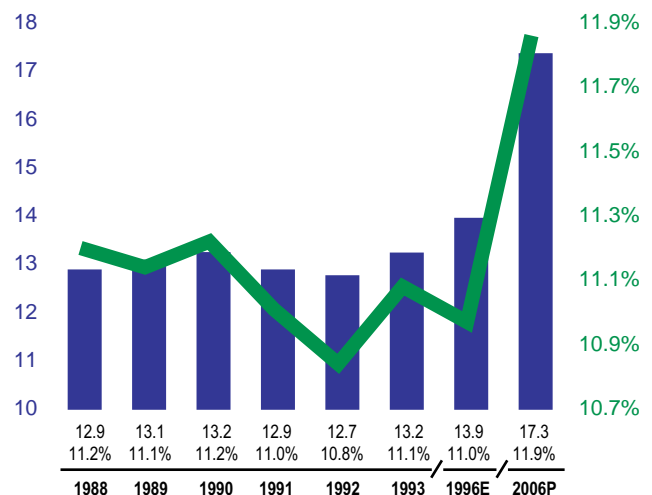
STATE OF HAWAII

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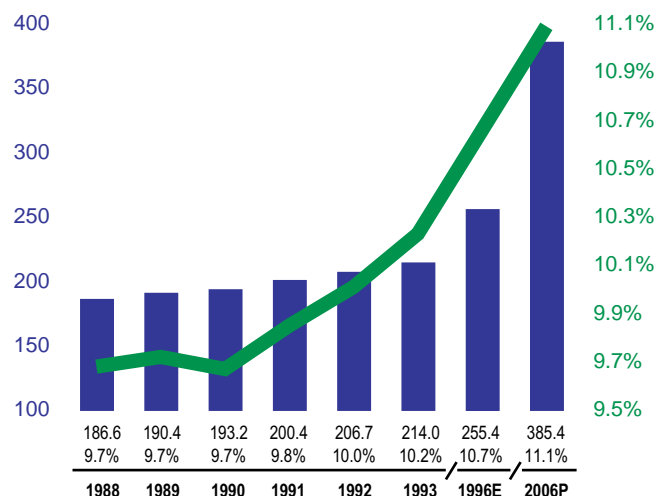
UNITED STATES

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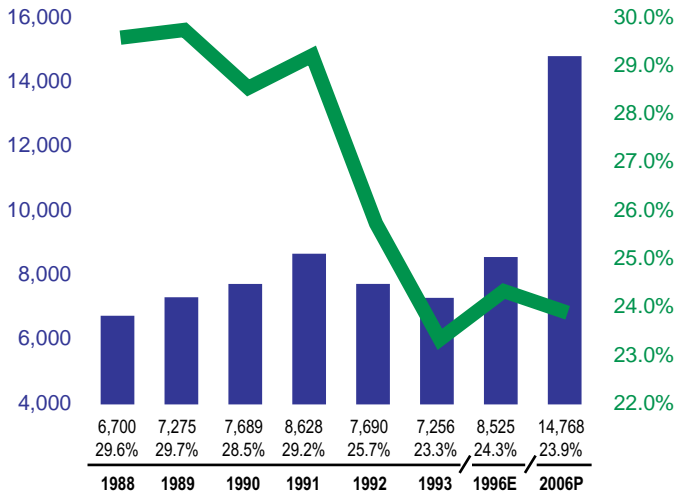
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GROSS STATE/DOMESTIC PRODUCT FROM TRAVEL & TOURISM

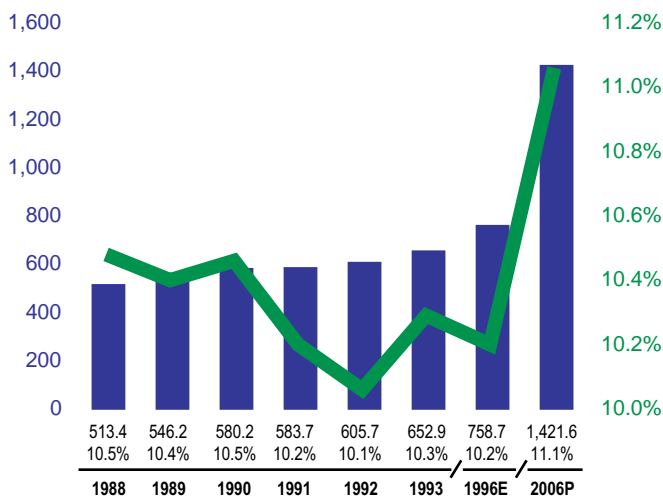
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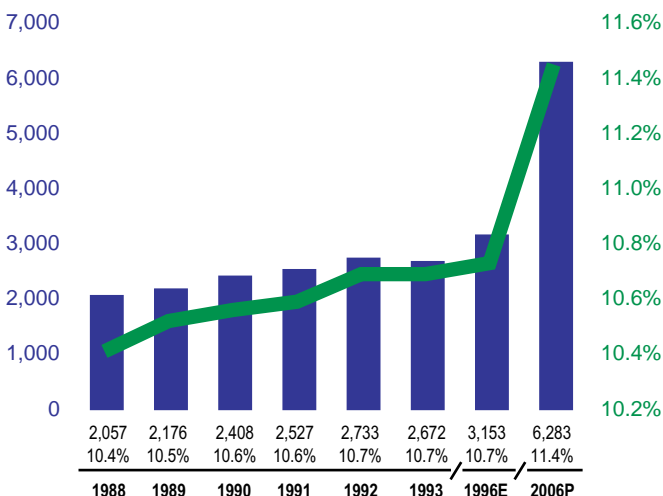
UNITED STATES

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ADDING VALUE

In 1996, Hawaii Travel & Tourism is expected to produce 24.3% of total Gross State Product (GSP). This compares with Travel & Tourism's U.S. contribution of Gross Domestic Product (GDP) in 1996 expected to total 10.2%, and a world contribution of 10.7%. Hawaii's Travel & Tourism GSP ranks it among the world's highest relative contributors, even outpacing Caribbean Travel & Tourism which is expected to generate 22.4% of its regional GDP in 1996.

For ranking purposes, Hawaii's 1992 Travel & Tourism GSP contribution of 25.7% puts it in first place when compared against the GSP results from traditionally defined industries. See page 11 for more details.

Although outstanding compared to most, Hawaii's Travel & Tourism contribution to GSP has significantly decreased in recent years, due mostly to major declines in domestic trade from mainland visitors. The domestic visitor spending loss totaling 36.5% between 1991 and 1993 accounts for the majority of Travel & Tourism's decline in State GSP from 29.2% of total in 1991 to 23.3% of total in 1993. Although investment fell off slightly during this period and international trade fell off in 1993, the main impact on Hawaii was from the U.S. market. Thus it appears from the data, that the decline in Travel & Tourism's share of GSP is mainly a result of general economic conditions rather than proactive economic diversification.

Hawaii's Travel & Tourism GSP on the demand side is comprised of 7.3% of total personal consumption, 23.7% of total capital investment, 5.9% of total government expenditures and 61.9% of total exports.

Hawaii's Travel & Tourism GSP on the supply side is comprised of \$5.4 billion of employee compensation (24.2% of total), \$474.2 million of transaction taxes (24.6% of total) and \$2.7 billion of operating surplus, depreciation and subsidies (24.6% of total) in 1996.

INVESTING CAPITAL

Travel & Tourism capital investment is normally a good barometer of the industry's outlook for growth over the next few years. In 1996, Travel & Tourism capital investment is expected to total 23.7% of total State of Hawaii investment, or \$1.5 billion, down significantly (in real terms) from its 1990 peak of \$1.7 billion or 28.8% of total investment. Over the next decade, the outlook is positive on an absolute basis with investment growing 3.9% annually (real terms). On a relative basis, Travel & Tourism's 2006 investment (23.4%) is expected to hold steady to its 1996 share of total investment (23.7%).

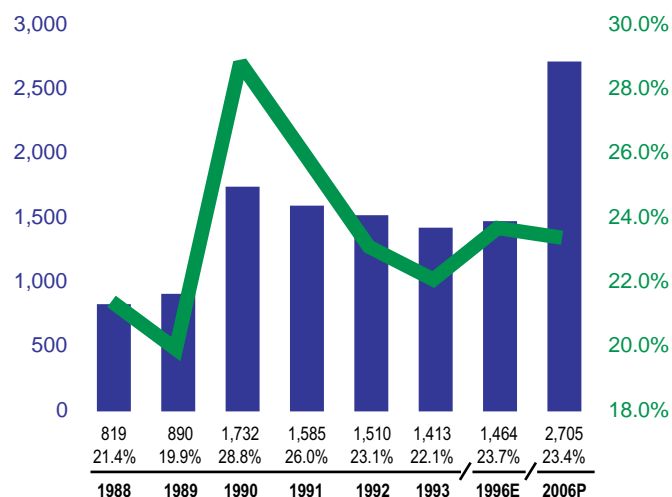
In general there are two types of Travel & Tourism capital investment, public and private. Public capital investment tends to be associated with airports, ports, roads, highways and convention center construction, while private (commercial and personal) capital investment tends to include aircraft, hotels and resorts, auto fleets, ships, buses and even second homes.

In the United States, Travel & Tourism capital investment is estimated at 10.2% of the total in 1996, while global Travel & Tourism investment is expected to reach 11.9%. Although Hawaii's Travel & Tourism capital investment paralleled the decline in total investment reported by United States Travel & Tourism as a whole, it is expected to manage a turnaround between 1993 and 1996, which the mainland is not expected to achieve. Meanwhile, worldwide Travel & Tourism capital investment is expected to grow by more than 5.7% a year in real terms over the next decade, increasing its total capital investment contribution to 12.8%.

CAPITAL INVESTMENT FROM TRAVEL & TOURISM

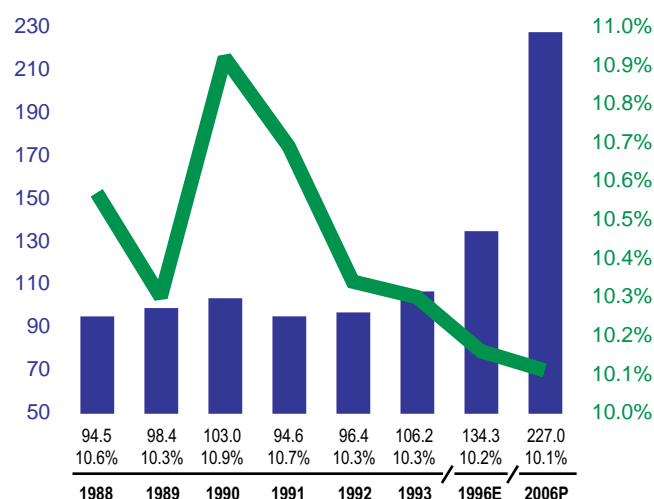
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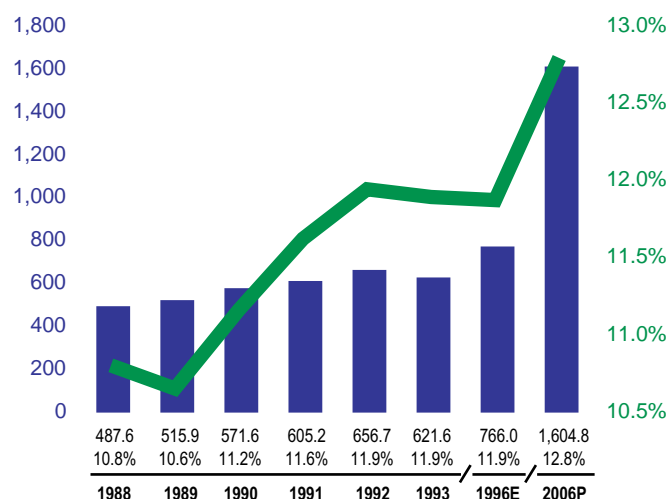
UNITED STATES

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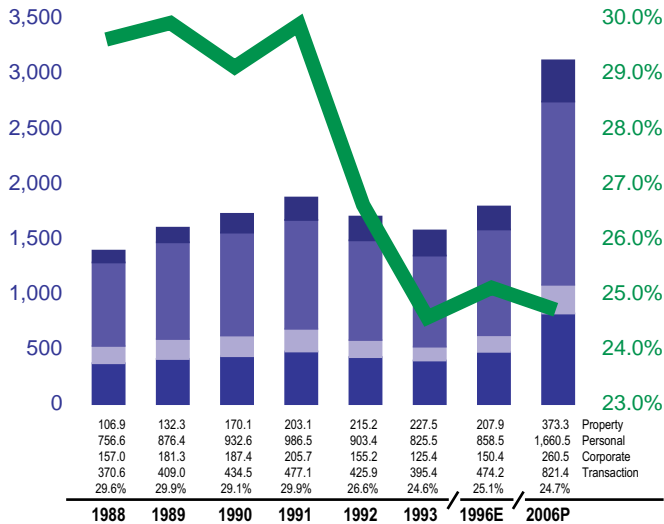


GENERATING TAXES

TAXES FROM TRAVEL & TOURISM

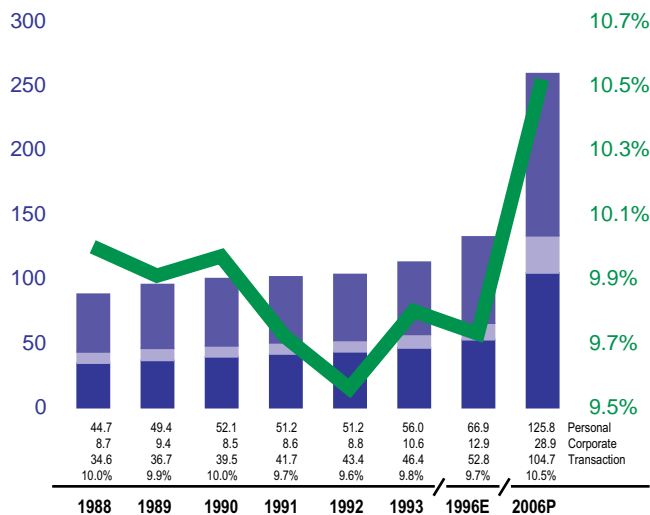
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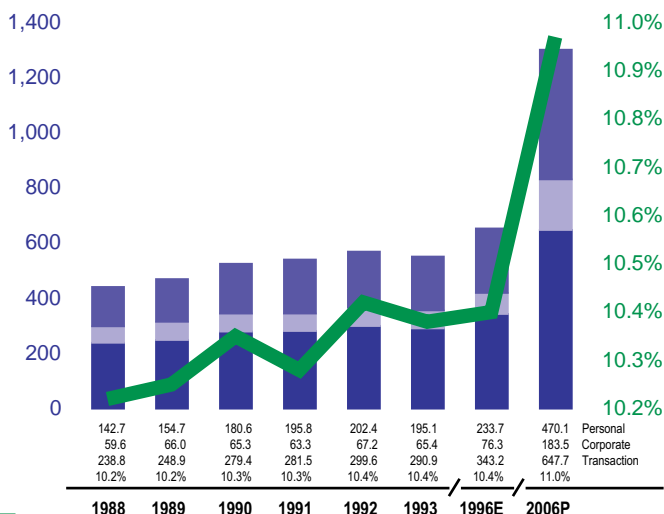
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Travel & Tourism, like any other industry, pays four major types of taxes: transaction taxes (e.g. sales tax, transient accommodations tax), corporate taxes based on profits, personal income taxes based on employee compensation and real property taxes. In total, State of Hawaii Travel & Tourism is expected to contribute \$1,791 million or 25.1% of total Federal, State and County taxes in 1996, including \$474 million of transaction taxes, \$150 million of corporate taxes, \$959 million of personal income taxes and \$208 million in real property taxes. In 1989, Travel & Tourism contributed as much as 29.9% of total Federal, State and County taxes paid in Hawaii.

By 2006, the State industry's total tax contribution is expected to reach \$3,116 million. After accounting for inflation, this shows a real increase of 30.6% over the next 10 years.

It is worth noting that the State of Hawaii's total Travel & Tourism tax contribution as a percentage of total taxes has been a mirror image of its GSP contribution. As the industry's contribution to GSP has fallen, so too, has its total tax contribution.

An interesting ratio for analysis illustrates the industry's tax contribution as a percent of total taxes (excluding property taxes) to the industry's GSP contribution as a percent of total GSP. In 1996 for example, it is expected that the State industry's non-property tax contribution will equal 100.0% of its GSP contribution. In the U.S. as a whole, the same ratio is expected to be 85.8% in 1996. Globally, this ratio in 1996 is expected to be 92.3%. When property taxes are added in Hawaii, the State's ratio becomes 104%.

The tax figures included in this report do not include proliferating charges and user fees which are levied directly on travelers.

ENGAGING GOVERNMENT

U.S. Federal, State of Hawaii and Hawaii local governments are expected to spend \$555 million, net of collections, in 1996 to provide services to Travel & Tourism companies/customers and to pay for government-related business travel for their employees in Hawaii. This amount represents 5.9% of total government operating expenditures expected in Hawaii in 1996. This contribution is down significantly from the 1990 high of 6.7% of total government expenditures. By 2006, government expenditures in Hawaii for Travel & Tourism are expected to reach \$920 million, following 2.5% average annual increases (in real terms) from 1996.

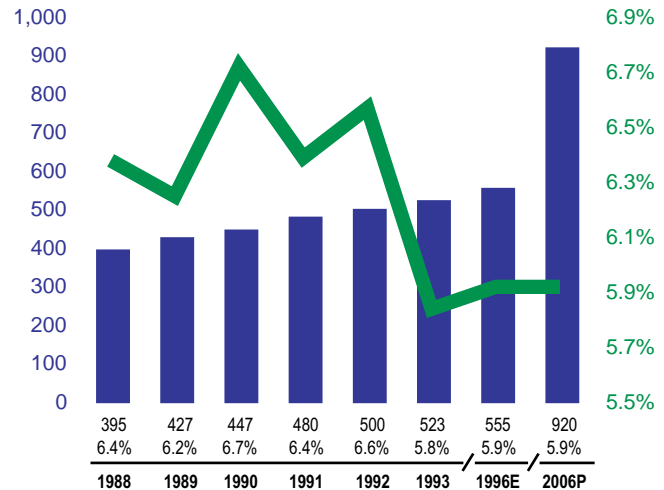
Like consumer expenditures, government expenditures which fall under the Travel & Tourism heading are quite diverse and include such categories as highway and aviation administration, immigration and customs services, park services, convention center operation, marketing and promotion and many others. Revenues such as national/state park fees which are collected directly from travelers are subtracted from these figures. Travel expenses related to government employee relocation or troop movements are not considered government-related business travel.

U. S. Federal, State and local governments are expected to spend \$60.9 billion in Travel & Tourism services/expenses in 1996, totaling only 5.2% of total government spending. On a global basis, the average country's government is expected to spend 6.7% of their fiscal budget on Travel & Tourism related expenditures.

GOVERNMENT EXPENDITURES FOR TRAVEL & TOURISM

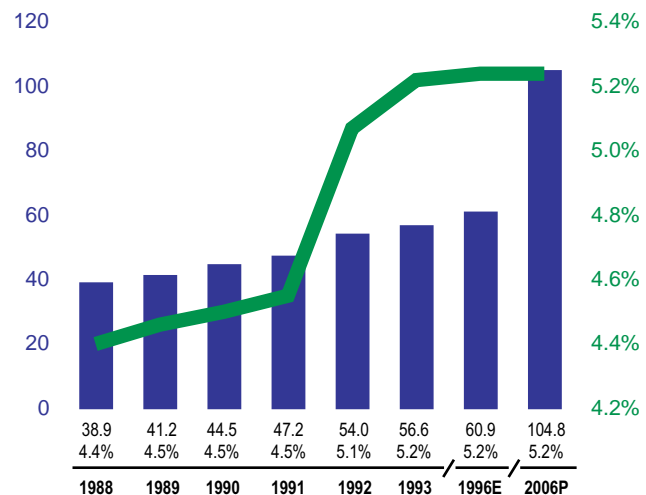
STATE OF HAWAII

(Mn US\$)



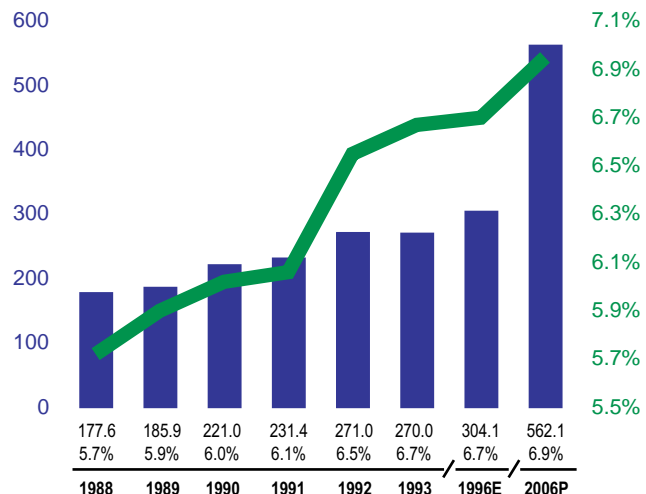
UNITED STATES

(Bn US\$)



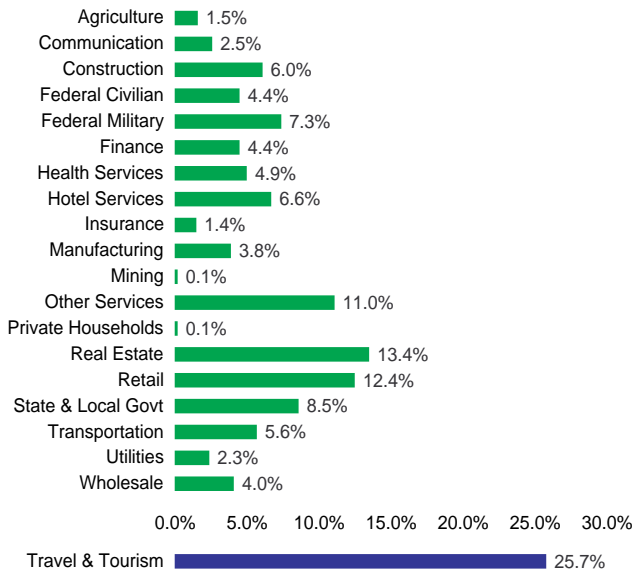
WORLD

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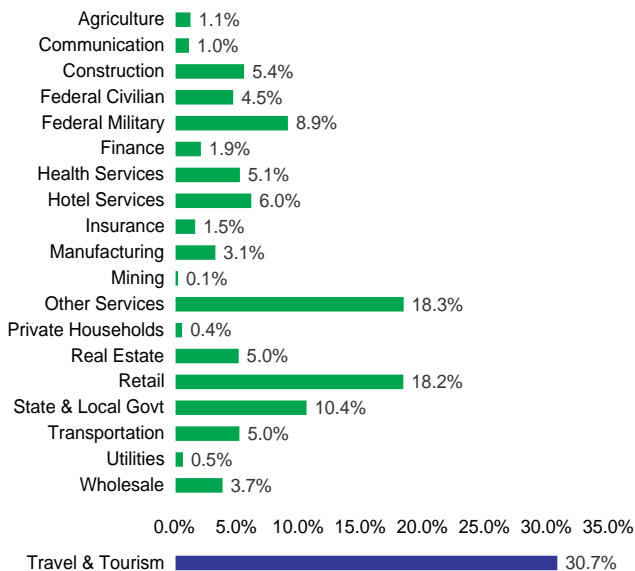


INDUSTRY CONTRIBUTIONS TO THE STATE OF HAWAII 1992

GROSS STATE PRODUCT* (Pct of Total)



EMPLOYMENT* (Pct of Total)



COMPARING IMPACT

Travel & Tourism's importance to the State of Hawaii can best be illustrated by a comparison of its contribution to Gross State Product and employment with that of other economic sectors/industries. Please note, because Travel & Tourism is a Satellite Account which is compiled from many of the individual sectors/industries, total Gross State Product and employment on these charts will exceed 100% by the Travel & Tourism value.

In 1992, Hawaii's Travel & Tourism industry produced 25.7% of Gross State Product, making it the leading industry in the State. Although Travel & Tourism is not measured in the U.S. Bureau of Economic Analysis's traditional accounts, it is considered a new service industry which can be measured by National Satellite Accounting principles. In this respect, it is clear that no single industry in Hawaii is as large as Travel & Tourism in terms of GSP contribution. The next largest industries (some of which are contributors to Travel & Tourism) in the State include: Real Estate at 13.4%, Retail at 12.4%, Other Services at 11.0%, State & Local Government at 8.5%, Federal Military at 7.3% and Construction at 6.0%.

Also in 1992, Hawaii's Travel & Tourism industry generated 30.7% of State employment, making it the leading employer in the State. Again, it should be noted that the Travel & Tourism Satellite Account includes some employment which is counted in traditional accounts by other industries. Nonetheless, it is clear that no single industry in Hawaii can compete with Travel & Tourism in terms of job contribution. The next largest industry employers include: Other Services at 18.3%, which includes legal, educational, recreational and business services among others; followed by Retail at 18.2%; State & Local Government at 10.4%; Federal Military at 8.9%; Construction at 5.4%; and Health Care at 5.1%.

*Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System, 1995

STATE OF HAWAII - OVERALL ECONOMICS

	1988	1989	1990	1991	1992	1993	1996E	2006P
Total Hawaii Economy - US\$ (Millions)								
Consumer Expenditures	13,312.50	14,358.00	15,674.00	16,857.60	18,018.90	19,173.40	21,600.00	38,834.10
Government Expenditures	6,187.61	6,821.36	6,642.92	7,516.61	7,619.73	8,955.41	9,367.84	15,529.29
Capital Investment	3,830.39	4,518.74	6,011.78	6,104.29	6,540.17	6,405.82	6,185.67	11,574.29
Foreign and Domestic Trade	(681.90)	(1,237.40)	(1,389.90)	(936.10)	(2,296.00)	(3,428.97)	(2,117.20)	(4,114.32),
Exports	12,901.80	14,036.90	14,841.70	16,058.60	15,266.90	14,648.58	18,105.66	31,831.09
Merchandise	1,467.70	1,498.50	1,562.20	1,588.90	1,635.00	1,679.59	1,829.77	3,291.83
Foreign	264.31	282.37	323.21	336.39	346.15	355.59	387.39	696.93
Domestic	1,203.39	1,216.13	1,238.99	1,252.51	1,288.85	1,323.99	1,442.38	2,594.90
Visitor Spending	8,550.10	9,305.80	9,765.60	10,662.80	9,590.00	8,677.59	11,139.69	19,299.01
Foreign	3,491.35	3,854.42	3,936.80	4,500.85	5,346.77	4,767.50	6,232.42	10,602.95
Domestic	5,058.75	5,451.38	5,828.80	6,161.95	4,243.23	3,910.09	4,907.27	8,696.06
Other Services	2,884.00	3,232.60	3,513.90	3,806.90	4,041.90	4,291.41	5,136.20	9,240.25
Imports	13,583.70	15,274.30	16,231.60	16,994.70	17,562.90	18,077.55	20,222.85	35,945.41
Merchandise	9,098.50	10,455.00	10,926.20	11,398.40	11,779.50	12,071.87	13,516.20	23,881.19
Foreign	1,638.50	1,970.10	2,260.60	2,413.20	2,493.90	2,555.80	2,861.59	5,056.01
Domestic	7,460.00	8,484.90	8,665.60	8,985.20	9,285.60	9,516.07	10,654.61	18,825.18
Residents Abroad	609.50	945.20	951.20	892.90	922.10	981.18	1,158.94	2,083.62
Foreign	243.80	378.08	380.48	357.16	368.84	392.47	463.57	833.45
Domestic	365.70	567.12	570.72	535.74	553.26	588.71	695.36	1,250.17
Other Services	3,875.70	3,874.10	4,354.20	4,703.40	4,861.30	5,024.50	5,547.72	9,980.59
Reported Gross State Product	22,323.80	24,574.70	27,033.60	28,608.60	30,083.30	31,107.00	35,036.32	61,833.95
Discrepancy & Omissions	(324.80)	114.00	94.80	(933.80)	200.50	1.36	0.00	0.00
Gross State Product	22,648.60	24,460.70	26,938.80	29,542.40	29,882.80	31,105.64	35,036.32	61,833.95
Wages & Salaries	14,407.15	15,559.86	17,136.22	18,792.41	19,008.94	19,786.80	22,287.18	39,333.60
Deprec.+Op. Sur.+Subs.	7,021.41	7,550.76	8,273.49	9,101.79	9,173.48	9,606.69	10,820.64	19,096.84
Transaction Taxes	1,220.04	1,350.08	1,529.10	1,648.20	1,700.37	1,712.14	1,928.49	3,403.51
Personal Taxes	2,597.14	2,978.46	3,259.24	3,360.69	3,458.38	3,518.63	3,963.27	6,994.58
Corporate Taxes	516.92	598.58	659.66	710.61	619.64	543.01	611.63	1,079.43
Property Taxes	364.36	418.32	476.68	547.03	609.27	632.44	630.02	1,131.36
Total Taxes	4,698.46	5,345.44	5,924.68	6,266.52	6,387.66	6,406.22	7,133.41	12,608.88
Employment (000's)	502.00	511.00	528.00	551.00	550.00	554.00	546.00	668.62

STATE OF HAWAII - TRAVEL & TOURISM

	1988	1989	1990	1991	1992	1993	1996E	2006P
Hawaii Travel & Tourism - US\$ (Millions)								
Consumer Expenditures (1)	987.92	1,065.14	1,127.07	1,213.45	1,338.94	1,425.44	1,583.49	2,864.59
Government Expenditures (2)	394.82	426.65	446.59	480.12	500.34	522.89	554.92	919.90
Capital Investment (3)	819.37	899.66	1,732.04	1,584.71	1,510.42	1,413.47	1,464.27	2,704.53
Foreign and Domestic Trade (4)	4,498.17	4,883.31	4,383.07	5,349.70	4,339.86	3,894.59	4,922.41	8,279.07
Exports (5)	8,601.76	9,358.55	9,820.59	10,718.73	9,647.55	8,736.71	11,200.52	19,359.84
Merchandise (6)	51.66	52.75	54.99	55.93	57.55	59.12	60.83	60.83
Foreign	9.30	9.94	11.38	11.84	12.18	12.52	13.64	24.53
Domestic	42.36	42.81	43.61	44.09	45.37	46.60	50.77	91.34
Visitor Spending (7)	8,550.10	9,305.80	9,765.60	10,662.80	9,590.00	8,677.59	11,139.69	19,299.01
Foreign	3,491.35	3,854.42	3,936.80	4,500.85	5,346.77	4,767.50	6,232.42	10,602.95
Domestic	5,058.75	5,451.38	5,828.80	6,161.95	4,243.23	3,910.09	4,907.27	8,696.06
Other Services (8)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Imports (9)	4,103.59	4,475.24	5,437.52	5,369.03	5,307.70	4,842.12	6,278.12	11,080.77
Merchandise (10)	3,494.09	3,530.04	4,486.32	4,476.13	4,385.60	3,860.94	5,119.18	8,997.15
Foreign	629.23	665.19	928.21	947.66	928.50	817.42	1,083.81	1,904.83
Domestic	2,864.86	2,864.85	3,558.11	3,528.47	3,457.10	3,043.52	4,035.37	7,092.31
Residents Abroad (11)	609.50	945.20	951.20	892.90	922.10	981.18	1,158.94	2,083.62
Foreign	243.80	378.08	380.48	357.16	368.84	392.47	463.57	833.45
Domestic	365.70	567.12	570.72	535.74	553.26	588.71	695.36	1,250.17
Other Services (12)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Gross State Product (13)	6,700.29	7,274.76	7,688.77	8,627.98	7,689.56	7,256.38	8,525.09	14,768.10
Business Expenditures (14)	396.48	428.21	471.59	517.17	523.12	571.85	644.11	1,136.76
Gross Output (15)	7,096.77	7,702.96	8,160.35	9,145.14	8,212.68	7,828.23	9,169.20	15,904.57
Wages & Salaries (16)	4,197.13	4,578.24	4,903.30	5,516.27	4,965.70	4,642.07	5,390.26	9,337.60
Deprec.+Op. Sur.+Subs. (17)	2,132.60	2,287.51	2,350.96	2,634.62	2,297.92	2,218.86	2,660.64	4,609.06
Transaction Taxes (18)	370.56	409.01	434.50	477.09	425.94	395.45	474.19	821.44
Personal Taxes (19)	756.61	876.37	932.59	986.49	903.43	825.49	958.53	1,660.48
Corporate Taxes (20)	157.00	181.34	187.45	205.69	155.22	125.42	150.39	260.52
Property Taxes (21)	106.89	132.31	170.07	203.11	215.19	227.50	207.91	373.35
Total Taxes (22)	1,391.06	1,599.02	1,724.61	1,872.38	1,699.78	1,573.86	1,791.02	3,115.79
Employment (000's) (23)	168.01	173.61	175.34	191.93	168.65	157.74	172.13	202.48
*Items with (numbers) are defined on Page 15.								

STATE OF HAWAII - RATIOS

	1988	1989	1990	1991	1992	1993	1996E	2006P
T&T Accounts as % of State Accounts								
Consumer Expenditures	7.42%	7.42%	7.19%	7.20%	7.43%	7.43%	7.33%	7.38%
Government Expenditures	6.38%	6.25%	6.72%	6.39%	6.57%	5.84%	5.92%	5.92%
Capital Investment	21.39%	19.91%	28.81%	25.96%	23.09%	22.07%	23.67%	23.37%
Exports	66.67%	66.67%	66.17%	66.75%	63.19%	59.64%	61.86%	60.82%
Imports	30.21%	29.30%	33.50%	31.59%	30.22%	26.79%	31.04%	30.83%
Gross State Product	29.58%	29.74%	28.54%	29.21%	25.73%	23.33%	24.33%	23.88%
Wages & Salaries	29.13%	29.42%	28.61%	29.35%	26.12%	23.46%	24.19%	23.74%
Deprec.+Op. Sur.+Subs.	30.37%	30.30%	28.42%	28.95%	25.05%	23.10%	24.59%	24.14%
Transaction Taxes	30.37%	30.30%	28.42%	28.95%	25.05%	23.10%	24.59%	24.14%
Personal Taxes	29.13%	29.42%	28.61%	29.35%	26.12%	23.46%	24.19%	23.74%
Corporate Taxes	30.37%	30.30%	28.42%	28.95%	25.05%	23.10%	24.59%	24.13%
Property Taxes	29.34%	31.63%	35.68%	37.13%	35.32%	35.97%	33.00%	33.00%
Total Taxes	29.61%	29.91%	29.11%	29.88%	26.61%	24.57%	25.11%	24.71%
Employment	33.47%	33.97%	33.21%	34.83%	30.66%	28.47%	31.53%	30.28%
Growth (Based on US\$ Totals)								
Consumer Expenditures (Real)		3.17%	1.41%	3.67%	7.33%	4.19%	4.16%	35.84%
Government Expenditures (Real)		3.40%	0.31%	3.52%	1.37%	2.28%	-0.50%	24.47%
Capital Investment (Real)		5.07%	84.50%	-11.90%	-7.29%	-8.42%	-2.87%	38.69%
Gross State Product (Real)		3.89%	1.29%	8.06%	-13.31%	-7.65%	10.15%	30.07%
Business Expenditures (Real)		3.35%	5.54%	5.60%	-1.61%	6.98%	5.61%	32.52%
Gross Output (Nominal)		8.54%	5.94%	12.07%	-10.20%	-4.68%	17.13%	73.46%
Gross Output (Real)		3.86%	1.52%	7.91%	-12.64%	-6.72%	9.82%	30.24%
Employment		3.33%	1.00%	9.46%	-12.13%	-6.47%	9.12%	17.63%
Deflator (1996=100)	78.82	82.37	85.95	89.26	91.76	93.76	100.00	133.18
Other								
GSP per Employee (US\$)								
Total Hawaii Economy	45,117	47,868	51,020	53,616	54,332	56,147	64,169	92,480
Travel & Tourism	39,880	41,903	43,851	44,954	45,595	46,002	49,527	72,935
Ratio of T&T/Total	88.39%	87.54%	85.95%	83.84%	83.92%	81.93%	77.18%	78.87%
Wages & Salaries per Employee (US\$)								
Total Hawaii Economy	28,700	30,450	32,455	34,106	34,562	35,716	40,819	58,828
Travel & Tourism	24,981	26,371	27,965	28,741	29,444	29,429	31,315	46,116
Ratio of T&T/Total	87.04%	86.60%	86.16%	84.27%	85.19%	82.40%	76.72%	78.39%
Employment (1 in X)	3.0	2.9	3.0	2.9	3.3	3.5	3.2	3.3
Employment Created by \$1 million GSP (Jobs)								
Total Hawaii Economy	22	21	20	19	18	18	16	11
Travel & Tourism	25	24	23	22	22	22	20	14
Ratio of T&T/Total	113.13%	114.24%	116.35%	119.27%	119.16%	122.05%	129.56%	126.80%
Ratio Non-Property Tax Contr./GSP Contr.								
	100.15%	100.09%	99.97%	99.93%	99.84%	99.96%	100.04%	100.04%

TRAVEL & TOURISM DEFINITIONS

Definitions and examples provided for Travel & Tourism concepts listed on Page 13.

Demand Side is the set of State Accounts [(1), (2), (3) and (4)] associated with the purchase of a good or service.

Supply Side is the set of State Accounts [(16), (17) and (18)] associated with the inputs to production of a good or service.

(1) Consumer Expenditures (a.k.a. personal consumption) is spending by State of Hawaii residents on Travel & Tourism services and products. This includes spending before, during and after a trip on various Travel & Tourism services (i.e. air, hotel, car rental, etc.) as well as merchandise purchased during or for the trip.

(2) Government Expenditures is current operating spending by Hawaii government officials on employee travel, as well as spending by government agencies to provide services to travelers and travel companies (i.e. airport and harbor operations, park services, marketing, etc.).

(3) Capital investment is spending by individuals, companies and the public sector on Travel & Tourism infrastructure and equipment in Hawaii including vacation homes, aircraft, rental car fleets, hotels/resorts, airport terminals, highways, beaches, etc.

(4) Foreign and Domestic Trade (a.k.a. net exports) is the sum of Travel & Tourism exports minus imports.

(5) Exports is the sum of Travel & Tourism merchandise exports plus visitor spending exports plus other services exports.

(6) Merchandise Exports is the sum of all products produced in Hawaii which are used outside the State (foreign and domestic) for Travel & Tourism purposes. A pineapple grown in Hawaii which is exported to the mainland and which is purchased by a mainland hotel is one example of a Travel & Tourism merchandise export.

(7) Visitor Spending is the sum of inbound visitor spending to Hawaii by U.S. residents and international visitors.

(8) Other Services Exports are the earnings of Hawaii Travel & Tourism services (e.g. Travel & Tourism consultants) out-of-state. It is believed that this amount is negligible.

(9) Imports is the sum of Travel & Tourism merchandise imports plus resident spending abroad and other services imports.

(10) Merchandise Imports is the sum of all products produced out-of-state (foreign and domestic) which are used in-state for Travel & Tourism purposes. There are two major kinds of merchandise imports: products imported and sold through retail establishments to Hawaii visitors, and products imported and used by Travel & Tourism providers (i.e. cleaning supplies, energy, etc.).

(11) Residents Abroad is the sum of Travel & Tourism spending by Hawaii residents on the mainland or abroad.

(12) Other Services Imports are the spending by Hawaii companies on out-of-state Travel & Tourism services (e.g. Travel & Tourism consultants). It is believed that this amount is negligible.

(13) Gross State Product (GSP) is the sum of consumer expenditures plus government consumption, capital investment and foreign and domestic trade.

(14) Business Expenditures is the spending by Hawaii companies on employee business travel.

(15) Gross Output is the sum of Gross State Product and business expenditures.

(16) Wages & Salaries (a.k.a. compensation) is the sum of wages, salaries and benefits earned by Travel & Tourism employees (defined below) in Hawaii.

(17) Deprec.+Op. Sur.+Subs. is the sum of depreciation, operating surplus (i.e. profits) and subsidies for Travel & Tourism providers and suppliers in Hawaii.

(18) Transaction Taxes is the sum of Federal Excise Taxes, State General & Excise Taxes and Transient Accommodations Taxes for Travel & Tourism related purchases in Hawaii.

(19) Personal Taxes is the sum of Federal and State individual taxes paid by Travel & Tourism employees (defined below) in Hawaii.

(20) Corporate Taxes is the sum of Federal and State corporate income taxes paid by Travel & Tourism providers and suppliers in Hawaii.

(21) Property Taxes is the sum of real property taxes paid by individuals and Travel & Tourism providers and suppliers for Travel & Tourism related properties in Hawaii.

(22) Total Taxes is the sum of transaction taxes plus personal taxes plus corporate taxes plus property taxes.

(23) Employment is the number of employees engaged by Travel & Tourism providers and suppliers, in both the private sector and public sectors.

WORLD TRAVEL & TOURISM COUNCIL POLICY AGENDA FOR HAWAII

To achieve Travel & Tourism's promise for economic development and job creation, WTTC suggests that the citizens, State and Local Governments of Hawaii and the U.S. Federal Government consider the following information and recommendations:

Make Travel & Tourism a Strategic Economic Development and Employment Priority

Recognize the Industry's Economic Contribution

The Travel & Tourism industry is highly fragmented and its economic effects flow across the policy spectrum - employment, transport, construction, communications, regional development, infrastructure, taxation, trade/exports and the environment. As a whole, Travel & Tourism plays a vital role in economic development and job creation in the State of Hawaii. No other single industry - including real estate, retail trade, state and local government, military, construction, health services, federal government, manufacturing or agriculture - can match Travel & Tourism's contribution to GSP or employment.

Despite this extensive impact, Travel & Tourism is often not adequately taken into account in broad economic policy determinations.

Travel & Tourism offers significant potential for boosting economic growth, investment and export trade. It is particularly effective in developing small businesses and creating jobs in urban and rural areas where structural unemployment is highest.

To this end, the industry should be factored into mainstream decision making on infrastructure, employment and exports, at Federal, State and Local levels. The focus should be on creating a positive business climate and public attitude for investment, growth and job creation for Travel & Tourism.

Establish a National Satellite Account

Because National and State Accounts and general economic indicators do not specifically identify Travel & Tourism, its impact is often ignored or at best understated in reports and analyses of economic performance. In 1993, the United Nations body responsible for National Accounting recommended that governments create Satellite Accounts for Travel & Tourism in order to remedy this situation. As an interim measure, WTTC, working with The WEFA Group, evolved a methodology for simulating such accounts.

The State of Hawaii and United States as a whole should urgently establish an official State and National Satellite Account for Travel & Tourism. In the meantime, WTTC stands ready to work with the State of Hawaii, Department of Business Economic Development and Tourism and the U.S. Department of Commerce to make the widest possible use of the WTTC/WEFA research. Furthermore, the State of Hawaii should play a leadership role in encouraging other states and countries to establish Travel & Tourism Satellite Accounts to help track the industry's input to the global economy, and as a basis for policies to increase that contribution.

Action

- **Ensure that Travel & Tourism's impact and potential are understood by State citizens and across Federal, State and Local government departments. Integrate Travel & Tourism into mainstream policies for job creation, export growth, infrastructure development and investment stimulation.**
- **Create a State Satellite Account for Travel & Tourism in Hawaii as recommended by the UN Statistical Commission in 1993 and support the same on a national level.**

Move Towards Open and Competitive Markets

Liberalize Markets

A liberal international trading system with free-flowing markets for goods and services will help Travel & Tourism grow. Increased trade encourages business trips, and growing disposable income expands leisure travel. Protectionism has the reverse effect.

The successful conclusion of the Uruguay Round will give a boost to trade generally, and the General Agreement on Trade in Services (GATS) offers worldwide prospects for liberalization of barriers to Travel & Tourism. There is a strong need for action to implement these accords.

In liberalizing Travel & Tourism, the biggest single challenge is to achieve competitive air transport regimes. Across the U.S., the majority of international business travelers, as well as a significant and growing number of leisure travelers, arrive by air. Virtually all intercontinental travel and travel to Hawaii involves this mode. Many bilateral aviation agreements and national air transport policies have limited the potential growth of Travel & Tourism by protecting national airlines.

Recent studies suggest that the drawbacks to national economies from protectionist aviation regimes dramatically outweigh the benefits, when measured in terms of GDP, tax revenues and jobs. WTTC's report "*The Way Forward*" makes a strong economic case for liberalization, focusing on: the elimination of market controls; privatization; cross border ownership; an end to subsidies; and fair competitive opportunities. The U.S. Commission to Ensure a Strong Competitive Airline Industry has suggested similar approaches which have been broadly endorsed by the Federal Administration.

The U.S. should continue to press vigorously for multilateral and bilateral liberalization of international air transport services.

The Asia/Pacific Travel & Tourism market is widely recognized as the fastest growing market in the world with airline transportation as the primary means of transport within the region. As new technology comes on stream, operations between these markets and the U.S. mainland will have the capability to increasingly overfly Hawaii. As the region moves to more liberal aviation regimes, it is imperative that new bilateral and multilateral agreements between APEC (Asia Pacific Economic Council) states give opportunity for expanded operations to and through Hawaii. The U.S. should give high priority in its aviation negotiations to opening the market between Hawaii and the Asian countries.

A related issue is the need to ensure that international telecommunications markets are also liberalized. An increasing amount of Travel & Tourism operations - and virtually all distribution and sales transactions - flow through telecommunications circuits. Where these are monopoly-controlled, there are often restrictions on access, high costs and unreasonable operating conditions. This in turn limits the potential for market-oriented expansion of Travel & Tourism with negative national and international economic impacts.

Enhance Promotion

Foreign visitors' spending is a valuable export. The same tools should be available for Travel & Tourism export promotion as for other export industries. Hawaii has world class products to offer international visitors, including its cities and country side, its natural and man-made attractions, its historical, artistic and cultural heritage and its climate of peace, stability and freedom.

An increasing number of governments are beginning to understand the value of Travel & Tourism to

their economies and are turning their attention to measures which will enhance their comparative advantage in this area.

The global market is becoming increasingly competitive. Major tourism receiving destinations - such as Australia, France, Spain and Mexico - have devoted substantial government resources and funds to improve products and marketing. They have also stimulated private sector funds to do likewise. Canada recently completely restructured its Travel & Tourism promotional machinery - creating a top-level, private sector-driven Tourism Commission, tapping the federal budget for promotion, and challenging the private sector to match that effort. The U.S., with Hawaii's strong support, should do no less to remain competitive.

Action

- ***Promote competitive markets by supporting implementation of the GATS, continuing to encourage bilateral and multilateral air transport liberalization with Asia/Hawaii markets as a high priority and pressing for deregulation of worldwide telecommunications markets.***
- ***Support increased public/private sector cooperation in promoting Hawaii Travel & Tourism through dedicated permanent State and Local government contributions and funding to Hawaii destination marketing organizations.***
- ***Establish and promote State and Local branding and marketing to ensure international competitiveness.***
- ***Encourage the U.S. Federal Government to support national brand marketing through the post White House Conference process.***

Pursue Sustainable Development

Promote Sustainability

Travel & Tourism is responsible for moving, accommodating, feeding and entertaining hundreds of millions of people each year. Aircraft manufacturing, hotel construction and travel infrastructure development are integral parts of the operation. As markets open and business increases, there is a responsibility to ensure that development proceeds in harmony with the environment. Travel & Tourism has a key interest here: the environment is the core of its product and must be preserved for business sustainability as well as the global imperatives.

As governments implement policies in response to the Rio Earth Summit, they have many choices about the form and nature of their actions, the degree of penalty or incentive, and the use of market-driven or regulatory-based instruments. The Travel & Tourism industry strongly believes that the environmental policy agenda should focus on self-improvement, incentives, and light-handed regulation as the preferred approach. This will encourage the innovation and business acumen of the industry to significantly improve environmental performance.

WTTC recently launched its GREEN GLOBE program — backed by more than 20 Travel & Tourism industry associations — which aims to build an environmental ethic into all aspects of the Travel Tourism business. GREEN GLOBE offers a practical program for environmental self-improvement to Travel & Tourism companies of any size, type or location, drawing on a global database of best practice and a worldwide network of advisors. The program encourages companies to enter into a continuing cycle of assessment/improvement with a variety of guidance and support services to help adapt corporate culture and practices.

WTTC believes that the State of Hawaii should encourage industry self-regulatory efforts such as GREEN GLOBE as a flexible, market-based environmental awareness program, avoiding excessive regulation in this area.

Restructure Land Use Procedures

An integral component of the Rio Earth Summit's Agenda 21 is development. Just as governments and the private sector are addressing the modalities of ensuring responsible development through self-regulatory programs like GREEN GLOBE, they must also evaluate the legal and bureaucratic requirements of the development process.

In Hawaii, land and water use processes are often costly, burdensome and lengthy, resulting from unnecessary duplication and poor or arbitrary definition of standards and responsibilities. Clarification of zoning responsibilities, definition of the land use process with established time limits for review, provision for concurrent permit processing, limitation of exactions and allowance for architectural and engineering code compliance stamps would facilitate the process for the public and private sectors, saving time and money, while maintaining the necessary standards and control.

Action

- ***Develop a market-oriented environmental policy framework and support private sector initiatives for improved environmental performance.***
- ***Restructure land and water use approval processes to clarify requirements, add certainty and reduce unnecessary time and expense in the development process.***

Eliminate Barriers to Growth

Some aspects of the efficient working of Travel & Tourism markets have such an important impact on growth potential that they must be treated as barriers to development. They require a deliberate strategic response if the wealth and job creation capabilities of Travel & Tourism are to be optimized. In some instances, the constraints are a direct result of government action or inertia; in others, the industry plays a part. However in all cases, their elimination calls for action and investment from the public sector.

Expand Infrastructure

In many states and countries, Travel & Tourism infrastructure faces critical development challenges resulting from inadequate policies, planning and funding over many years.

Of particular concern is the air transport sector, where airport expansion and air traffic control system (ATC) modernization is a very high priority, particularly across the Pacific. Current land-based ATC systems should be switched to satellite navigation as soon as possible to contain operating costs, improve safety and reduce congestion. An increased private sector role should be pursued.

On the ground, Hawaii's Travel & Tourism faces challenges in upgrading and improving its product and infrastructure including highways, roads, beaches and meeting facilities. Although several projects are underway, including the new Convention Center, to address some of these issues, greater attention must be paid to make sure the Hawaii travel product meets the requirements and standards of an increasingly demanding and discriminating visitor market.

Expedite Airport/Border Clearance

Another major infrastructure problem arises at international border crossings, particularly at Hawaii's airports. With the number of travelers expected to double over the decade, and with pressures on budget and space resources, it will be increasingly important to apply modern automation technology and business procedures to speed up border clearance.

The United States Immigration and Naturalization Service (INS) has taken the lead in implementing a pilot project which WTTC calls FAST - Future Automated Screening for Travelers. FAST systems, which are under consideration in a number of countries and individual airports, including Honolulu International, use biometric identification and automated processing to expedite clearance while enhancing security. This experiment has proven successful and should be expanded to all border crossings.

The highly successful visa waiver program has made travel to the United States and Hawaii much easier for citizens of those countries included in the program. Hawaii should encourage the INS to extend and make permanent the visa waiver program and eliminate visa requirements where possible.

Tax Intelligently

Travel & Tourism is expected to generate US\$ 653 billion of global tax revenue in 1996. The industry should pay its fair share of taxes, but it does object when governments ignore the basic principles of intelligent taxation:

Fair revenue generation means that taxes have to be paid, as there is no feasible way of funding public services over the long run. But while the Travel & Tourism industry will pay its part in accordance with basic principles, its tax burden should not be raised by special taxes or inappropriate user charges.

Efficiency means getting the most out of your resources, both in the short and long-term. To be efficient, taxes should interfere as little as possible with using resources in their most productive way, should not choke off demand, and should not increase production costs. Most importantly, this applies to international trade, where international visitors are an export and should receive the same tax consideration as other exports.

Equity means that Travel & Tourism and its consumers should be treated equitably by the tax system, and should not face a heavier tax burden than other industries.

Simplicity is important for both the taxpayer and the tax authorities. For the taxpayer (industry), simplicity invigorates initiative and encourages growth. For taxing authorities, simplicity decreases the costs of administration and increases compliance. Because Travel & Tourism is subject to so many different local, regional and national taxes, it is particularly vulnerable.

Effective stimulus to growth means that taxes should be used to promote, not hinder, economic growth and job creation. Because Travel & Tourism is a labor intensive industry with a large impact on the economy of Hawaii, it can act as an economic catalyst by initiating growth quickly.

"Add-on taxes" and user fees are a real case in point. They are proliferating at airports, on air tickets, rental cars, hotel rooms and restaurant meals - levied by local, state and federal authorities. They comprise one of the fastest growing areas of operating costs, and if unconstrained, can contribute to raising total trip costs to levels which depress demand, impairing international competitiveness.

Invest in Human Resources

As a major source of employment in Hawaii and the U.S., Travel & Tourism has to be at the cutting edge of new education and training techniques and technologies - the more so given the evolution in products, major shifts in markets and increasing emphasis on service quality which will characterize Travel & Tourism over the next decade.

The industry itself is investing substantial amounts in retraining programs for existing staff and in basic service programs for new entrants. What is needed is a much greater emphasis on public education and career programs for job prospects in Travel & Tourism, as well as closer coordination between public and private sector schemes.

Provide for Visitor Safety and Security

Recent high visibility events in other destinations have reinforced the importance of addressing visitor safety and security issues in all tourist destinations including Hawaii. As global criminal activity grows worldwide, travelers are increasingly exposed to petty and violent crime. Although few of the millions of travelers are actually affected, WTTC believes that governments cannot afford to ignore this issue as it has the potential to become a serious barrier to travel. If safety is not firmly addressed on an international, national, and local level, it will simply become increasingly visible, costly and demand depressant.

WTTC encourages local governments to increase and improve safety measures for travelers and upgrade traveler safety information, coordinate safety mechanisms and procedures between industry and government and promote constructive media reporting.

Action

- ***Support improvement of Travel & Tourism infrastructure with emphasis on expanded airports, satellite-based air traffic control, highways, roads, beaches and meeting facilities.***
- ***Support FAST border clearance, encourage visa waiver extension and visa elimination.***
- ***Apply basic economic principles of taxation - fair revenue generation, efficiency, equity, simplicity and effective stimulus to growth - to Travel & Tourism. Apply export incentives and exemptions where applicable.***
- ***Include Travel & Tourism in high school and university programs and career guidance schemes. Ensure that the industry's training programs have full access to public job creation incentives.***
- ***Improve visitor safety and security programs.***

AN INTRODUCTION TO GREEN GLOBE

What is GREEN GLOBE?

GREEN GLOBE is a world-wide environmental management and awareness program for the Travel & Tourism industry.

Its prime objective is to provide a low-cost, practical means for all Travel & Tourism companies to undertake improvements in environmental practice.

Why GREEN GLOBE?

A clean healthy environment is the core of the Travel & Tourism product, and is essential to future development. Good environmental practice is not only morally right; it makes sound business sense and can lead to significant cost savings.

What are its origins?

GREEN GLOBE was developed by the World Travel & Tourism Council (WTTC), a global coalition of industry Chief Executive Officers, with the involvement of the Earth Council and its Chairman, Dr. Maurice Strong, former Secretary General of the 1992 Rio Earth Summit. The concept has the broad support of the United Nations Environment Program (UNEP).

Major regional and sectoral Travel & Tourism organizations have joined GREEN GLOBE as Industry Associates and are working to encourage their members' participation.

Who can join?

Membership is open to Travel & Tourism companies of any size, type and location which commit, at chief executive officer level, to improvement in environmental practice.



How does it work?

GREEN GLOBE helps a company to develop an environmental program suited to its specific requirements, and brings numerous business benefits. GREEN GLOBE members have access to:

- **Advice** in tailoring company practices to changing environmental needs
- **Tools** to help evaluation and to improve performance
- **Information** on environmental good practice and cost saving techniques
- **Recognition** of your company's environmental commitment

What are the benefits?

- Continuous practical help, to build environmental considerations into daily business decisions
- A service which is tailored to the size, business focus and level of environmental activity of your company
- Cost-saving and commercial opportunities

What is the cost?

Membership fees are structured to ensure that the program is accessible to companies of any size; they range from US\$200 per annum for companies with turnover of less than US\$1 million, to US\$7,500 for companies with turnover of more than US\$30 million.

If your company is not already a GREEN GLOBE Member, and you would like further information about the program, please contact the GREEN GLOBE Office at 20 Grosvenor Place, London SW1X 7TT, United Kingdom. Tel: +44 171 930 8333. Fax +44 171 930 7779. E-mail on Internet: 100104.2605@compuserve.com

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The World Travel & Tourism Council (WTTC) is a global coalition of Chief Executive Officers from all sectors of the Travel & Tourism industry including accommodation, catering, entertainment, recreation, transportation and travel-related services. Its goals are to convince governments of the strategic and economic importance of Travel & Tourism, to promote environmentally compatible development and to eliminate barriers to growth of the industry.



The WEFA Group is one of the world's leading economic consulting and forecasting firms with nearly 300 economists worldwide. It distributes data on 152 countries and forecasts 94 country economies in depth.

Founded in 1963 by Lawrence R. Klein, 1980 Nobel Laureate in Economics, Wharton Econometric Forecasting Associates (WEFA) was the original economic forecasting firm started at the request of business leaders who wanted objective, independent forecasts for business planning and analysis. Over the years, WEFA built its reputation on academic standards, quality research and forecast accuracy.

In 1987, WEFA merged with Chase Econometrics, an independent subsidiary of Chase Manhattan Bank that provided unequalled planning support to financial institutions, corporations, and government agencies for over 15 years to form the WEFA Group.

The WEFA Group and its predecessors have always been at the forefront of economic consulting, forecasting and analysis.

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